

VZCZCXYZ0000
PP RUEHWEB

DE RUEHWN #0429/01 0671613
ZNY CCCCC ZZH
P 081613Z MAR 06
FM AMEMBASSY BRIDGETOWN
TO RUEHC/SECSTATE WASHDC PRIORITY 2070
INFO RUCNCOM/EC CARICOM COLLECTIVE
RUMIAAA/HQ USSOUTHCOM J2 MIAMI FL
RUMIAAA/HQ USSOUTHCOM J5 MIAMI FL
RUEHCV/USDAO CARACAS VE

C O N F I D E N T I A L BRIDGETOWN 000429

SIPDIS

SIPDIS

SOUTHCOM ALSO FOR POLAD

E.O. 12958: DECL: 02/28/2016
TAGS: [PGOV](#) [PINR](#) [PREL](#) [CPAS](#) [EFIN](#) [EINV](#) [KCRM](#) [OFDP](#) [GJ](#) [XL](#)
SUBJECT: GRENADA: THE PRIME MINISTER, OFFSHORE BANKS AND
CORRUPTION

REF: A. BRIDGETOWN 315
[1](#)B. BRIDGETOWN 294
[1](#)C. BRIDGETOWN 239

Classified By: DCM Mary Ellen T. Gilroy for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: Keith Mitchell's ten-year tenure as Prime Minister of Grenada has been tarnished by numerous allegations of corruption, the worst of which involve Grenada's once thriving offshore banks and its economic citizenship program. This situation was highlighted in February by the conviction in the U.S. on fraud charges of an individual who reportedly paid a US\$50,000 bribe to the PM in exchange for being named a Grenadian Ambassador. Mitchell has also been linked to several offshore banks that defrauded investors of millions of dollars before collapsing. The former executives of one Grenada-based bank have been indicted in the U.S. for fraud. While a certain amount of corruption is expected in the Caribbean, PM Mitchell has been accused of an exceptionally high level of wrongdoing that has impacted negatively on his domestic political standing and may call into question his reliability as a political interlocutor. End summary.

PM Mitchell and a Suitcase Containing \$50,000

[1](#)2. (U) The corrupt practices Grenada Prime Minister Keith Mitchell has been accused of range from typical padding of public works contracts to the extraordinary charge that in 2000 Mitchell personally accepted US\$50,000 in exchange for granting an unsavory figure diplomatic status. The circumstances surrounding this allegation were first revealed in 2004 by an offshore banking industry newsletter, which reported that during a trip to Switzerland Mitchell was given a suitcase containing the cash by German-born businessman Eric Resteiner. In return, Resteiner was named Ambassador at Large for Grenada. Mitchell has denied this charge and said that he received US\$15,000 from Resteiner as reimbursement for expenses incurred during official travel to Europe and the Middle East to attract investment to Grenada.

Mitchell Associate Jailed in the U.S.

[1](#)3. (U) Eric Resteiner is suspected of obtaining Grenadian diplomatic status as a means to facilitate his corrupt business practices and to help him avoid prosecution. A diplomatic passport, however, did not protect Resteiner from the USG, which had him extradited from Singapore in June 2004

to face multiple fraud charges. On February 10, 2006, Resteiner pled guilty in U.S. Federal Court to charges that he defrauded more than 50 people of over US\$47 million through a scam that was purportedly a high-yield international bank trading investment program. Resteiner, who is scheduled to be sentenced on May 8, faces up to 20 years' imprisonment and a multi-million dollar fine.

How Much Does it Cost to be a Grenadian Diplomat?

14. (SBU) When Resteiner was indicted on fraud charges in 2004, this made him the second Grenada "diplomat" to be indicted in the U.S. in less than a year. Czech-born Viktor Kozeny, who obtained a Grenada passport through the country's now-defunct economic citizenship program and was subsequently named Honorary Consul for Grenada, had been indicted just months earlier in New York on charges that he stole US\$182 million from several investment funds. Another "diplomat," the Israeli-born Yoav Rubinstein, obtained Grenada citizenship through the economic citizenship program in 1999 and was immediately given, on paper at least, a diplomatic post at the Embassy of Grenada in Washington. In 2005, the Department determined that Rubinstein was not a bona fide diplomat and denied the GOG's application to renew his A-2 diplomatic visa.

Mitchell Caught on Tape

15. (C) While in U.S. custody, Eric Resteiner revealed to law enforcement officials that he possessed a videotape that showed PM Mitchell taking the suitcase containing US\$50,000. Resteiner offered to turn the tape over to the USG in the hope that this would help him obtain a more favorable plea arrangement. Federal prosecutors and FBI agents viewed the tape and confirmed that it showed Mitchell accepting the cash and unsuccessfully attempting to stuff it into his pockets. They did not, however, accept the tape as part of a plea because Mitchell could not be indicted as a co-conspirator by law enforcement officials without their first receiving high-level approval from within the USG.

PM Attempts to Muzzle the Press

16. (U) The allegation that Keith Mitchell took US\$50,000 from Resteiner was first publicly reported in 2004 by Offshore Alert, an offshore banking industry newsletter that covers unscrupulous activity in this often shady industry. Once the story broke, the PM attempted to subvert the efforts of the Grenada press to report on the story. The GOG said it would sue local media outlets that reprinted the article from Offshore Alert, and Mitchell personally threatened a Grenada journalist who reported on the story. The journalist, Leroy Noel, was also detained by the Grenada police for questioning about his sources. These incidents brought criticism from several international NGOs dedicated to protecting the rights of journalists and were included in the Department's 2004 Human Rights Report for Grenada.

Official Investigation Goes Slowly

17. (U) An official investigation into the allegations against PM Mitchell has moved slowly, leading to charges that the GOG is failing to pursue the case aggressively. In August 2004, the Governor General of Grenada appointed Barbados lawyer Richard Cheltenham to undertake an investigation of the suitcase bribery case, which was delayed after Hurricane Ivan devastated the country in September. Since getting underway in June 2005, the Commission of Inquiry has held only a handful of hearings, much to the consternation of the political opposition which has long held that PM Mitchell is

corrupt. The Commission has denied the opposition's repeated requests to be involved in the investigation. There is presently no indication as to how long the investigation might take and many Grenadians appear to believe it will be a whitewash.

Offshore Hall of Shame

¶8. (U) While the suitcase bribery incident is the most damning allegation against Keith Mitchell, it is not by any means the only one. The PM has also been accused of accepting payoffs to allow a number of unscrupulous offshore banks to operate in Grenada before they collapsed in 2000. This legacy led Mitchell to be inducted into Offshore Alert's Hall of Shame for making Grenada "synonymous with white-collar crime." Grenada's former regulator of the offshore sector, Michael Creft, is also in the Hall of Shame as the "village idiot of offshore regulators" for having allowed more than 40 banks to operate fraudulent activities from the country before they collapsed and investors lost their money (see [http://offshorebusiness.com/hall of shame.asp](http://offshorebusiness.com/hall%20of%20shame.asp)).

Another Indictment

¶9. (U) Among the questionable figures Mitchell is suspected of colluding with is Gilbert Allen Ziegler, alias Van Arthur Brink, founder and CEO of the First International Bank of Grenada (FIBG), a now defunct offshore bank that defrauded investors of millions of dollars. During the years FIBG operated, Ziegler publicly thanked Mitchell on several occasions for his support of the bank including when the FBI was investigating FIBG. Ziegler and others involved in the bank were indicted in January 2004 in a Federal Court in Portland, Oregon for fraud and money laundering. (Note: Ziegler was extradited to the U.S. from Uganda in June 2004 and died of heart failure in December 2005. The trial of the other indicted FIBG executives is scheduled to begin later this year. End note.) In Grenada, meanwhile, the political opposition has accused the PM of using GOG legal adviser Hugh Wildman to frustrate USG efforts to extradite and interview witnesses who could tie Mitchell to the defunct bank.

¶10. (C) Note: On February 25, 2006, PO Grenada received a call from an attorney representing a defendant in the FIBG case, who explained that he was part of a legal team that was in Grenada to talk to witnesses who might be able to help their client. The attorney was worried by the negative reaction of some witnesses to the lawyers' visit, as well as what he said was the interest taken in their activities by police officers who are part of PM Mitchell's personal security detail. The attorney believed that the legal team was being misconstrued as an FBI effort to secure evidence in a case against the PM. LEGATT Bridgetown reported that on February 26 the Grenada police force's Special Branch inquired about FBI agents who were supposedly in Grenada. End note.

Just How Corrupt is Keith Mitchell?

¶11. (C) Comment: Keith Mitchell's corruption may not reach the heights of the Bird family, which ran Antigua as its personal fiefdom for decades. (Note: It is LEGATT Bridgetown's opinion that Mitchell, who created Grenada's offshore banking industry largely for his own enrichment and did nothing to reign it in, could be considered more corrupt than former Antigua Prime Minister Lester Bird. End note.) But, neither do Mitchell's activities appear to be on the lower level of Prime Ministers in the region who accept campaign donations in exchange for favors. In the recent case, for example, of Dominica, its Prime Minister was accused of accepting campaign donations from wealthy

expatriates who were given diplomatic status. The money, however, was used to fund the ruling party's 2005 re-election campaign and is not believed to have gone into the PM's own pocket (ref C). Keith Mitchell, on the other hand, has reportedly been videotaped literally pocketing money given to him by an individual who is now a convicted felon. Such apparently unscrupulous activity should call into question the PM's veracity when he deals with international interlocutors. Moreover, this demonstrated lack of judgment and self-serving attitude may help explain why Mitchell regularly attempts to discredit the political opposition with wild claims that Grenada is on the verge of a coup despite the damage this might do to his country (refs A and B). End comment.
KRAMER